



**UNITED  
NATIONS**



**Framework Convention  
on Climate Change**

Distr.  
GENERAL

FCCC/SBI/2007/8\*  
15 March 2007

Original: ENGLISH

---

**SUBSIDIARY BODY FOR IMPLEMENTATION**  
Twenty-sixth session  
Bonn, 7–18 May 2007

**Item 15 (b) of the provisional agenda**  
**Administrative, financial and institutional matters**  
**Programme budget for the biennium 2008–2009**

## **Proposed programme budget for the biennium 2008–2009**

**Note by the Executive Secretary\*\***

*Summary*

This document contains the programme budget of the secretariat for the biennium 2008–2009 proposed by the Executive Secretary for consideration by the Subsidiary Body for Implementation at its twenty-sixth session and for adoption by the Conference of the Parties at its thirteenth session and endorsement by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its third session. It should be considered in conjunction with the addenda to this document, which provide details of the work programme and resource requirements, and describe the activities to be funded from supplementary sources that the secretariat plans to undertake and details the required resources.

---

\* Reissued for technical reasons.

\*\* Submission of this document has been delayed due to the internal consultations that were required.

## CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
I. INTRODUCTION .....	1–6	3
A. Mandate .....	1–2	3
B. Scope of the note .....	3–4	3
C. Possible action by the Subsidiary Body for Implementation..	5–6	3
II. BUILDING THE PROPOSED PROGRAMME BUDGET .....	7–11	4
III. KEY AREAS OF WORK .....	12–18	5
IV. PROGRAMME STRUCTURE .....	19–22	6
V. PROPOSED PROGRAMME BUDGET .....	23–34	7
A. Staff.....	28	10
B. Other costs .....	29–31	11
C. Ratio of contributions towards core budget requirements under the Kyoto Protocol and under the Convention .....	32–34	12
VI. UNFCCC TRUST FUND FOR SUPPLEMENTARY ACTIVITIES .	35–40	13
A. Resources from voluntary contributions.....	35	13
B. Resources from fees and share of proceeds.....	36–40	13
VII. TRUST FUND FOR PARTICIPATION IN THE UNFCCC PROCESS	41	14
VIII. BONN FUND .....	42–43	15
IX. OVERHEAD CHARGE AND ITS USE .....	44–45	15
X. CONTINGENCIES.....	46–50	16
A. Conference services .....	46–49	16
B. Other contingencies .....	50	17

Annexes

I. Methodologies used to calculate costs.....	18
II. Proposed programme budget for the 2008–2009 biennium by source of funding.....	20

## **I. Introduction**

### **A. Mandate**

1. The Conference of the Parties (COP), by its decision 8/CP.12, requested the Executive Secretary to submit for consideration by the Subsidiary Body for Implementation (SBI), at its twenty-sixth session, a proposed programme budget for the biennium 2008–2009, including a contingency for conference services, should this prove necessary in the light of decisions taken by the United Nations General Assembly at its fifty-ninth session.
2. The COP also authorized the SBI to recommend, at its twenty-sixth session, a proposed budget for adoption by the COP at its thirteenth session, and by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its third session.

### **B. Scope of the note**

3. This document contains the proposed programme budget for the biennium 2008–2009. In addition to presenting the required human and financial resources, the document outlines the thinking behind the overall approach and seeks to give Parties a comprehensive overview of all trust funds and activities financed from different sources. The work programme that can be delivered on the basis of the proposed resource levels in the core budget and activities for which the secretariat will seek supplementary funding are presented in addenda to this document.
4. Particular attention is paid to the new source of funding, namely fee-based income,<sup>1</sup> to cover certain approved activities. This proposal for funding through fee-based income should be considered in conjunction with the clean development mechanism management plan (CDM MAP) 2007–2008 (FCCC/KP/CMP/2006/4/Add.1), the Joint Implementation management plan (JI-MAP) (FCCC/KP/CMP/2006/5/Add.1) and the document on the views on an approach to be taken on the collection of fees from users of the international transaction log (ITL) (FCCC/SBI/2007/MISC.1).

### **C. Possible action by the Subsidiary Body for Implementation**

5. The SBI is expected:
  - (a) To recommend a programme budget and agree on a draft decision for adoption by the COP at its thirteenth session, and by the CMP at its third session;
  - (b) To authorize the Executive Secretary to notify Parties of their contributions for 2008 on the basis of the recommended budget.
6. The SBI is also invited:
  - (a) To take note of the financing arrangements for the clean development mechanism (CDM) and joint implementation (JI);
  - (b) To take note of the budget for ITL and to endorse a methodology for the collection of income;

---

<sup>1</sup> The term 'fee-based' encompasses income received through a share of proceeds and accreditation fees under CDM; determination and accreditation fees under JI; and fees from ITL users. In accordance with decisions of the CMP, this income is used to offset part of the operating expenses of these activities (see chapter VI for further information).

- (c) To take note of the requirements for voluntary contributions to the UNFCCC Trust Fund for Supplementary Activities and the Trust Fund for Participation in the UNFCCC Process.

## II. Building the proposed programme budget

7. The work of the secretariat in support of the implementation of the Convention and its Kyoto Protocol is funded from four trust funds, namely the Trust Fund for the Core Budget of the UNFCCC; the Trust Fund for Participation in the UNFCCC process, which funds the travel of delegates from eligible Parties to sessions of the COP, the CMP and the subsidiary bodies; the UNFCCC Trust Fund for Supplementary Activities, which finances mandated activities for which resources from the core budget have not been provided; and the Trust Fund for the Special Annual Contribution from the Government of Germany (the Bonn Fund), which is used to finance the logistical arrangements of events taking place in Germany, including workshops and the sessions of the subsidiary bodies. This document and its two addenda concentrate mainly on the following two trust funds that cover the mandated activities and the programme of work for 2008–2009:

- (a) The **Trust Fund for the Core Budget of the UNFCCC**, the level of which is approved by the COP and which is funded through indicative contributions from all Parties;
- (b) The **UNFCCC Trust Fund for Supplementary Activities**, which receives voluntary contributions and fee-based income to finance activities that are not covered from the core programme budget.

8. With the increased share and complexity of activities funded from resources other than the core budget, special attention has been paid to the principle set out in the financial procedures that the core budget shall not subsidize activities funded from supplementary sources.<sup>2</sup> As a result, costs of support services, which include per capita costs for information services such as data communication, equipment and software, and secretariat-wide costs for telephone and fax communication, training and common premises, have been budgeted to the activities funded from non-core contributions, to the extent possible, under supplementary activities, the Bonn Fund and overheads. The costs for support services have been budgeted to the respective source of funding.

9. The programme budget is presented in United States dollars. In keeping with the practice in the current biennium, the euro equivalent of the proposed budget is indicated at the average United Nations official rate of exchange for the period January–March 2007.<sup>3</sup>

10. Within the core budget, two separate indicative scales of contributions for Parties to the Convention and to the Kyoto Protocol have been proposed for adoption by the COP and the CMP (see chapter V). These indicative scales were prepared using a similar methodology to the one applied in the 2006–2007 programme budget. The proportion of work programme activities in the technical programmes relating to the Convention and its Kyoto Protocol is assessed to determine the ratio of contributions to the resource requirements for each of the two integral parts of the secretariat's activities funded from the core budget. A full explanation of how the ratio is derived is provided in paragraphs 32–34 below.

11. A summary of the proposed resources for the two trust funds referred to in paragraph 7 above is provided in annex II.

---

<sup>2</sup> Decision 15/CP.1, annex I, paragraph 17.

<sup>3</sup> See annex I for further explanation.

### III. Key areas of work

12. The Executive Secretary considers that the core budget should include essential activities to maintain support to Parties in their implementation of the Convention and its Kyoto Protocol. There are four key areas of work, which arise directly or indirectly from decisions of the COP and the CMP and from the Executive Secretary's assessment of the work environment in the secretariat, and which require more attention in the work programme of the secretariat for 2008–2009.

#### *Enhanced support to developing countries*

13. The secretariat will seek to strengthen its support to developing countries through more focused and targeted activities relating to constituted bodies, resource mobilization and United Nations system coordination, while not duplicating the activities of the implementing agencies. This will be in addition to maintaining support to the Least Developed Countries Expert Group (LEG), the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE) and the Expert Group on Technology Transfer (EGTT) and close collaboration with the Global Environment Facility secretariat. Analytic capacity relating to financial flows will be strengthened with a view to supporting efforts by Parties to maximize financial flows to developing countries. The secretariat will enhance its efforts to stimulate adaptation action, particularly through the Nairobi work programme on impacts, vulnerability and adaptation to climate change, which will be fully developed in the next biennium and require secretariat support. Finally, it is anticipated that there will be a need for more support relating to identifying actions for reducing emissions from deforestation in developing countries.

#### *Strengthening the secretariat's capacity in support of the carbon market*

14. Successful implementation of international emissions trading and of emissions reductions through the project-based mechanisms (CDM and JI) is central to the achievement of the aims of the first commitment period of the Kyoto Protocol. The secretariat has been charged with unique responsibilities in making these policy tools work effectively. The secretariat has built its capacity to support project-based mechanisms and to enable transfers of 'Kyoto Protocol units'.<sup>4</sup> With the growing trading volume, complexity and dynamism of the carbon market, the secretariat needs to build its capacity to analyse the behaviour of the market to ensure that these market instruments contribute effectively to meeting the objectives of international climate policy.

#### *Support to the discussions on the future*

15. One of the major recent achievements of the intergovernmental negotiations was the decision by Parties to consider future international cooperation in response to climate change. Parties asked the secretariat to support this work, including by servicing the dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention (the Dialogue) and the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG), which convene during, but also outside, regular sessional periods. The secretariat absorbed the resulting requests from Parties into its work programme for 2006–2007, although no additional resources were provided to support the Dialogue and the AWG in the budget for that biennium. The secretariat needed to temporarily reassign resources, which, in some cases, affected other work programme elements.

16. In the 2008–2009 biennium, the Parties' engagement on future cooperative action and commitments is expected to gain further momentum, for example, following the outcome of the discussions on the Dialogue, the intensification of the work of the AWG and the review of the

---

<sup>4</sup> Emission reduction units, certified emission reductions, assigned amount units and removal units (FCCC/SBSTA/2004/9).

Kyoto Protocol in 2008. The Executive Secretary intends to put in place a support structure to the Parties' work on future cooperative action that is more coherent and sustainable, although limited in size.

*Strengthening essential support to the Convention and its Kyoto Protocol*

17. Following a period of growth in the substantive and technical areas, the secretariat proposes to strengthen support services that continue to provide the level and depth of support required across a comprehensive work programme. Capacity to provide legal, conference and information technology services to Parties, the intergovernmental process and the secretariat, must be commensurate with the growing demands in terms of volume and complexity.

18. A number of initiatives are being introduced to strengthen support services. These include a records management system to cope with the increasing volume and complexity of documents and correspondence arising in connection with the expansion of activities ranging from negotiations support to implementation support. Many documents, especially those relating to market-based mechanisms and compliance, have considerable legal relevance, making their authenticity, transparent processing and proper archiving essential.

#### **IV. Programme structure**

19. The structure of the secretariat was fine-tuned at the end of 2006 in order to address the challenges raised at COP 11 and CMP 1, and COP 12 and CMP 2 and to streamline the managerial structure. One of the main objectives of this restructuring was to put into place better integrated support to the processes relating to the future of the climate change regime, including the work of the Dialogue and the AWG, coordinated through the Executive Direction and Management programme to ensure direct oversight by the Executive Secretary. In order to make this direct oversight effective, it was necessary to strengthen the contributions of all programmes to secretariat-wide strategy development and to foster direct interaction between those that worked on related issues, while maintaining the close involvement of the programme coordinators. In addition, the secretariat needed to strengthen its capacity to mobilize and work together with other parts of the United Nations and other organizations.

20. In the interests of a more focused, responsive, flexible and efficient approach by the secretariat to the new and emerging challenges, the Executive Secretary decided to flatten the organizational structure and increase his immediate interaction with programme coordinators and managers. The new structure is designed to promote flexibility in drawing upon staff from across programmes and to allocate them to the work areas where they are most urgently needed. The Executive Secretary, Deputy Executive Secretary, directors and programme coordinators constitute a core management team that takes decisions on policy issues, including giving internal guidance on planning for the intergovernmental process, budgetary and work programme issues, and administrative and management proposals.

21. The programme structure presented in this programme budget serves as the basis for the work programme for the 2008–2009 biennium and the accompanying determination of resource requirements. The programmes are:

- (a) Executive Direction and Management (EDM);
- (b) Reporting, Data and Analysis (RDA);
- (c) Financial and Technical Support (FTS);
- (d) Adaptation, Technology and Science (ATS);

- (e) Sustainable Development Mechanisms (SDM);
- (f) Legal Affairs (LA);
- (g) Office of the Deputy Executive Secretary (DES);
- (h) Conference Affairs Services (CAS);
- (i) Information Services (IS);
- (j) Administrative Services (AS).

22. Most programmes remained unaffected by the fine-tuning of the secretariat structure. The Project-based Mechanisms programme has been renamed as the SDM programme, to be headed by a Director at D-2 level. The work performed under the former Intergovernmental and Conference Affairs programme has been reorganized. CAS will become a separate programme, while legal and procedural advice will be provided by LA, and will include the support to the compliance regime and thus consolidate the legal expertise in the secretariat. The new LA programme will be headed by a Director at D-2 level. The functions of Secretary of the COP will be assumed by the Deputy Executive Secretary's office; the Deputy Executive Secretary will strengthen integration among the service programmes with a focus on the delivery of support to the intergovernmental process (an organizational chart will be provided in an addendum to this document).

## **V. Proposed programme budget**

23. In developing the proposed programme budget, the Executive Secretary has been guided by the following principles:

- Reduce expenditures through restructuring, efficiency gains and mobilizing partner organizations to do more;
- Reallocate activities in accordance with decisions of the COP and the CMP on sources of funding and in line with CDM MAP and JI-MAP;
- Strengthen capacities in key areas to enhance support to Parties, the intergovernmental process and the mandated implementation activities, as outlined in chapter III above.

24. The budget proposal must also be considered in the context of important legal and political realities. The Parties have designed an implementation system for both the Convention and its Kyoto Protocol which is ambitious and extensive, and encompasses:

- Large-scale, complex and frequent intergovernmental meetings which require organization and servicing;
- Comprehensive reporting, review and compliance systems;
- A global carbon market;
- Significant amounts of sensitive data and information that need to be stored and managed in such a way that these are easily accessible;
- The implementation of significant work programme activities such as those relating to adaptation or technology.

25. Mindful of the budgetary constraints Parties are facing, the Executive Secretary, in the fine-tuning of the organizational structure, proposed a comprehensive secretariat budget funded from various

sources and taking into account the following three principal approaches to keep the resource requirements under the core budget to the minimum:

- (a) First, in determining the requirements under the core budget, careful consideration was given to all activities that relate to the implementation of CDM, JI and ITL under the Kyoto Protocol, and whose operating expenses would be covered from fees and share of proceeds. To the extent possible, requirements funded in the start-up periods from voluntary contributions or the core budget have now been included under requirements from fee-based income;
- (b) Second, the Executive Secretary has maintained the approach taken in the 2006–2007 programme budget, i.e. to foresee essential activities that can be funded from voluntary contributions wherever expected income is predictable and sufficient to sustain these activities. Thus, for instance, based on decision 12/CP.11, three meetings of the LEG, the CGE and the EGTT (or its successor) will be funded from core budget resources in the 2008–2009 biennium, while voluntary contributions will be used for any additional meetings.<sup>5</sup> The number of meetings of the Compliance Committee, as mandated by decision 27/CMP.1, will increase in 2008–2009 to four plenary meetings and 20 branch meetings. Half of the meetings will be funded from the core budget. For the remaining meetings and all workshops, funding is sought from the Trust Fund for Supplementary Activities.
- (c) Third, the proportion of activities funded from voluntary contributions and fees has steadily increased over recent years. In addition, these activities have become ever more complex and labour-intensive, and their timing does not lend itself to the usual careful planning, as it does not follow the regular cycles of programme work but depends on availability of funds and emerging Party requests. While the direct costs of such work are normally covered by the contributions provided, supporting these activities with information, logistical and administrative services from the core budget puts great pressure on the service programmes and would be contrary to the provisions of the financial procedures. In this budget proposal, therefore, requirements for support services have been factored into the requirements for supplementary funds for the respective activity, and are not included under requirements from the core budget.

26. The total proposed programme budget is USD 55.3 million, which represents a 3.3 per cent increase over the 2006–2007 biennium. Much of the savings realized from the proposal to finance CDM and ITL from income outside the core budget and to ensure that the core budget no longer subsidizes supplementary activities has been redeployed to support the key areas identified in chapter III. The proposed overall budgetary requirements for the 2008–2009 biennium are presented by programme in table 1 (comparison with the current biennium at programme level is not possible in table 1 because of the restructuring).

---

<sup>5</sup> The future role of the CGE, the LEG and the EGTT will be discussed at COP 13, where the outcome of these discussions may lead to adjustments.



**Table 1. Proposed core programme budget for 2008–2009 by programme**

Expenditure	2008	2009	Total 2008–2009	
	(USD)	(USD)	(USD)	(EUR <sup>a</sup> )
<b>A. Programme appropriations<sup>b</sup></b>				
EDM	2 161 693	2 161 693	4 323 386	3 294 420
RDA	4 686 167	4 541 167	9 227 334	7 031 229
FTS	2 882 391	2 919 524	5 801 915	4 421 059
ATS	2 866 801	2 905 301	5 772 102	4 398 342
SDM	1 411 333	1 411 333	2 822 666	2 150 871
LA	1 990 047	1 990 047	3 980 094	3 032 832
DES	761 007	761 007	1 522 014	1 159 775
CAS	1 644 377	1 644 377	3 288 754	2 506 031
IS	4 442 654	4 206 331	8 648 985	6 590 526
AS <sup>c</sup>	--	--	--	--
<b>B. Secretariat-wide operating costs<sup>d</sup></b>	<b>1 714 550</b>	<b>1 714 550</b>	<b>3 429 100</b>	<b>2 612 974</b>
<b>Programme expenditures (A + B)</b>	<b>24 561 020</b>	<b>24 255 330</b>	<b>48 816 350</b>	<b>37 198 059</b>
C. Programme support costs (overheads) <sup>e</sup>	3 192 933	3 153 193	6 346 126	4 835 748
D. Working capital reserve <sup>f</sup>	94 008	0	94 008	71 634
<b>TOTAL (A + B + C + D)</b>	<b>27 847 961</b>	<b>27 408 523</b>	<b>55 256 484</b>	<b>42 105 441</b>
<b>Income</b>				
Contribution from the host Government <sup>g</sup>	1 006 480	1 006 480	2 012 961	1 533 876
Indicative contributions	26 841 481	26 402 043	53 243 523	40 571 565
<b>TOTAL INCOME</b>	<b>27 847 961</b>	<b>27 408 523</b>	<b>55 256 484</b>	<b>42 105 441</b>

<sup>a</sup> The exchange rate used (USD 1 = EUR 0.762) represents the average rate for the period January–March 2007.

<sup>b</sup> Programmes: Executive Direction and Management (EDM); Reporting, Data and Analysis (RDA); Financial and Technical Support (FTS); Adaptation, Technology and Science (ATS); Sustainable Development Mechanisms (SDM); Legal Affairs (LA); Office of the Deputy Executive Secretary (DES); Conference Affairs Services (CAS); Information Services (IS); and Administrative Services (AS).

<sup>c</sup> AS is funded by overheads.

<sup>d</sup> Secretariat-wide operating costs are managed by AS.

<sup>e</sup> Standard 13 per cent applied by the United Nations for administrative support.

<sup>f</sup> In accordance with financial procedures (decision 15/CP.1, annex I, para. 14), the working capital reserve will be brought up to USD 2,303,578 in 2008 and maintained at that level in 2009.

<sup>g</sup> Equivalent to EUR 766,938, based on the average exchange rate for the period January–March 2007.

27. Table 2 presents the budgetary requirements for the next biennium by object of expenditure.

**Table 2. Resource requirements from the core budget for 2008–2009 by object of expenditure**

Object of expenditure <sup>a</sup>	2006–2007		2008–2009		Change (%)	
	(USD)	(EUR <sup>b</sup> )	(USD)	(EUR <sup>c</sup> )	(USD)	(EUR)
Staff costs	32 696 202	24 620 240	35 952 303	27 395 655	10.0	11.3
Consultants	2 582 000	1 944 246	1 683 000	1 282 446	-34.8	-34.0
Travel of staff	1 682 719	1 267 087	1 500 848	1 143 646	-10.8	-9.7
Experts and expert groups	2 888 900	2 175 342	3 009 800	2 293 468	4.2	5.4
General operating expenses	1 913 000	1 440 489	1 910 600	1 455 877	-0.1	1.1
Supplies and materials	584 000	439 752	224 000	170 688	-61.6	-61.2
Acquisition of furniture and equipment	1 374 000	1 034 622	2 151 299	1 639 290	56.6	58.4
Training	400 000	301 200	248 000	188 976	-38.0	-37.3
Contributions to common services	2 220 000	1 671 660	1 436 500	1 094 613	-35.3	-34.5
Grants and contributions (IPCC <sup>d</sup> )	700 000	527 100	700 000	533 400	0.0	1.2
<b>Total core programme budget</b>	<b>47 040 821</b>	<b>35 421 738</b>	<b>48 816 350</b>	<b>37 198 059</b>	<b>3.8</b>	<b>5.0</b>
Programme support costs	6 115 307	4 604 826	6 346 126	4 835 747	3.8	5.0
Working capital reserve	345 455	260 128	94 008	71 634	-72.8	-72.5
<b>GRAND TOTAL</b>	<b>53 501 583</b>	<b>40 286 692</b>	<b>55 256 484</b>	<b>42 105 440</b>	<b>3.3</b>	<b>4.5</b>

<sup>a</sup> For explanations on the objects of expenditure see annex I (methodologies used to calculate costs) and the addendum to this document that contains the work programme.

<sup>b</sup> The exchange rate used (USD 1 = EUR 0.753) is the average rate for the period January–March 2005.

<sup>c</sup> The exchange rate used (USD 1 = EUR 0.762) is the average rate for the period January–March 2007.

<sup>d</sup> Intergovernmental Panel on Climate Change.

### A. Staff

28. In order to strengthen the key areas identified in section III, new posts were established under the proposed programme budget, which resulted in an increase in staff costs of 10 per cent over 2006–2007 (see table 3). To minimize the increase in staff costs, two senior management posts (one D-2 and one D-1) were abolished to reduce managerial overhead and dedicate additional capacity to technical work (equivalent to five General Service posts), while eight posts from the core budget were transferred to the fee-based budgets of the CDM and ITL. Thus, there is a net increase of 12 posts to the staffing table (the difference between columns 2 and 4 in table 3).

**Table 3. Secretariat-wide staffing from the core budget**

	2007	2008	2009
<b>Professional category and above<sup>a</sup></b>			
ASG	1	1	1
D-2	4	3	3
D-1	6	6	6
P-5	10	12	12
P-4	22	24	24
P-3	30	32	32
P-2	10	10	10
<b>Total Professional category and above</b>	<b>83</b>	<b>88</b>	<b>88</b>
<b>Total General Service category</b>	46.5	52.5	53.5
<b>TOTAL</b>	<b>129.5<sup>b</sup></b>	<b>140.5<sup>c</sup></b>	<b>141.5<sup>c</sup></b>

<sup>a</sup> Assistant Secretary-General (ASG); Director (D); Professional (P); and General Service (GS).

<sup>b</sup> Because of resource shortfalls, one D-2, one P-5, two P-3, and one General Service category positions were frozen.

<sup>c</sup> Two D-1 and one P-3 positions are to be frozen.

### B. Other costs

29. The proposed programme budget sees a decrease of 10 per cent in non-staff costs, which includes provisions for consultants, expert groups, travel of staff and purchase of supplies and services:

- (a) Consultants: expertise from outside the secretariat is charged to this item of expenditure. Consultants with highly specialized expertise are required for panel meetings of the CDM Executive Board and the Joint Implementation Supervisory Committee, and for the development and maintenance of information systems for the ITL. In the new biennium, these consultancies will be funded from income from fees and the overall requirements from the core budget are reduced by 34.8 per cent;
- (b) Travel of staff: these funds are used for staff travelling to represent the secretariat at official events and workshops and for staff accompanying review experts. The decrease in travel costs is the net result of reducing travel costs related to the CDM and JI, shifting this expenditure to extra-budgetary resources, and the increase in travel costs related to reviews in line with the augmented number of reviews planned for 2008. Other travel costs have been frozen in spite of the proposed increase in staff;
- (c) Experts and expert groups: these resources support the travel of review experts and participants to the meetings of the constituted bodies. Requirements under this category will be higher in the 2008–2009 biennium, mainly as a result of shifting the dates of reviews due in 2007 and 2008 and a higher expected number of Compliance Committee branch meetings after the start of the first commitment period in 2008.

30. Significant decreases in expenditure on supplies and materials, training and contributions to common services have been achieved by budgeting these support services as extra-budgetary resources through the calculation of a per capita cost. For example, the charge to UNFCCC for its share of common services is calculated on the basis of the number of staff. As more staff are funded from outside the core budget, this per capita cost will be shifted to the extra-budgetary resource from which the staff in question is funded (see also para. 8).

31. The increase in acquisition of furniture and equipment relates to the implementation of a records management system for the whole secretariat; this entails the purchase of an enterprise content management system (ECM)<sup>6</sup> with a number of software modules. The purchase of the various modules is to be spread out over several years starting in 2007 (see also para. 18).

### **C. Ratio of contributions towards core budget requirements under the Kyoto Protocol and under the Convention**

32. The fact that not all Parties to the Convention are also Parties to the Kyoto Protocol necessitates some differentiation in the contribution regime. The proposed budget has been prepared using a similar methodology to that used for the 2006–2007 programme budget, as follows:

- (a) Elements of the work programme in direct support of the Kyoto Protocol are identified in an addendum to this document. They cover specific technical areas of work carried out in the programmes dealing with implementation (RDA and FTS), adaptation, technology and science (ATS), the sustainable development mechanisms (SDM) and compliance (LA). The required resources that can be directly attributed to the Kyoto Protocol are shown in table 4; they amount to 35.5 per cent of the total requirements of the respective programmes;
- (b) Secretariat activities in the area of management and services do not lend themselves to such direct attribution to either the Convention or its Kyoto Protocol. The work undertaken in the services programmes (IS, CAS and AS) and by EDM and DES, as well as the programme support costs and working capital reserve, are in support of both the Convention and its Kyoto Protocol. The shares of resource requirements relating to the Kyoto Protocol as opposed to the Convention can therefore only be estimated on a pro rata basis (see table 5);
- (c) The share of resources required for activities directly relating to the Convention and the Kyoto Protocol as identified in sub-paragraph (a) has been used to determine the contributions to the resource requirements of the management and service programmes and the secretariat-wide costs specified in sub-paragraph (b). The resulting total amounts are given in table 4.

**Table 4. Ratio of work programme activities and core budget requirements in 2008–2009 under the Convention and under the Kyoto Protocol in RDA, ATS, FTS, SDM and LA**  
(United States dollars)

	Convention	Kyoto Protocol	Total
<b>Reporting, Data and Analysis</b>	5 144 211	4 083 123	9 227 334
<b>Financial and Technical Support</b>	5 743 286	58 629	5 801 915
<b>Adaptation, Technology and Science</b>	5 185 291	586 811	5 772 102
<b>Sustainable Development Mechanisms</b>	560 272	2 262 394	2 822 666
<b>Legal Affairs</b>	1 165 053	2 815 041	3 980 094
<b>Total</b>	<b>17 798 113</b>	<b>9 805 998</b>	<b>27 604 111</b>
<b>Percentage</b>	<b>64.5</b>	<b>35.5</b>	<b>100.0</b>

<sup>6</sup> ECM combines policy, procedures and systems to capture, manage, store, archive and deliver content, such as documents, e-mail and web information that relate to the work of secretariat, and its support for the Parties to the Convention. The introduction of the system will allow the secretariat to operate electronically and will streamline work processes, reducing duplication and increasing accessibility. Most importantly, it will ensure that all content is securely managed and archived in conformity with the legal requirements of the Convention and the United Nations and best practices in governments and the private sector.

**Table 5. Ratio of contributions towards core budget requirements in 2008–2009 under the Convention and under the Kyoto Protocol**  
(United States dollars)

	<b>Total</b>	<b>Convention</b>	<b>Kyoto Protocol</b>
<b>Percentage<sup>a</sup></b>	<b>100.0</b>	<b>64.5</b>	<b>35.5</b>
RDA, ATS, FTS, SDM and LA (attributable) <sup>b</sup>	27 604 111	17 798 113	9 805 998
EDM, DES, IS, CAS, SWC, Programme support costs and Working capital reserve (estimated pro rata) <sup>b</sup>	27 652 373	17 829 230	9 823 143
<b>TOTAL</b>	<b>55 256 484</b>	<b>35 627 343</b>	<b>19 629 141</b>
<b>Income:</b>			
Contribution from the host Government	2 012 961	1 297 883	715 078
Indicative contribution	53 243 523	34 329 460	18 914 063
<b>TOTAL INCOME</b>	<b>55 256 484</b>	<b>35 627 343</b>	<b>19 629 141</b>

<sup>a</sup> See table 4.

<sup>b</sup> Executive Direction and Management (EDM); Reporting, Data and Analysis (RDA); Financial and Technical Support (FTS); Adaptation, Technology and Science (ATS); Sustainable Development Mechanisms (SDM); Legal Affairs (LA); Office of the Deputy Executive Secretary (DES); Conference Affairs Services (CAS); Information Services (IS); and secretariat-wide costs (SWC).

33. The share of Kyoto Protocol related activities will decrease from 36.8 per cent in 2006–2007 to 35.5 per cent in the 2008–2009 core budget; accordingly, the share of the Convention will increase from 63.2 per cent in 2006–2007 to 64.5 per cent in 2008–2009. Although the secretariat's work relating to the Kyoto Protocol has increased recently, a significant portion of the required resources will be covered from fee-based income and voluntary contributions. Hence the resources provided under the core budget will be used to maintain the core activities of the secretariat in support of the process.

34. Based on this approach, the expenditure against the core budget will be funded from two sources of income with two indicative scales of contributions applied – one for Parties to the Convention and one for Parties to the Kyoto Protocol. Parties to the Kyoto Protocol will contribute to both, whereas those Parties that have not ratified the Kyoto Protocol will contribute to the Convention only.

## **VI. UNFCCC Trust Fund for Supplementary Activities**

### **A. Resources from voluntary contributions**

35. Preliminary indications of resource requirements for supplementary activities in 2008–2009 are provided in an addendum to this document. The information provided should enable Parties to identify the resources required to fund extra-budgetary activities for the biennium. Summary information can also be found in annex II. It is expected that the outcome of the deliberations on the programme budget at SBI 26, as well as other deliberations at the twenty-seventh and twenty-eighth sessions of the subsidiary bodies, will further influence the requirements from the Trust Fund for Supplementary Activities in 2008–2009.

### **B. Resources from fees and share of proceeds**

36. In the next biennium, the CDM and ITL are expected to rely on income outside the core budget as the primary source of funding for their operating and administrative costs. As JI continues to build capacity for self-financing, it will require partial funding from fees, the core budget and voluntary contributions until the end of 2009. The types of fees and the modalities for their calculation and collection vary for each entity in accordance with the decisions of the COP and the CMP.

37. The operational costs of the CDM are to be covered, as of 2008, from a share of proceeds to cover administrative costs as decided by the CMP at its first session on the basis of a recommendation by the CDM Executive Board (decision 7/CMP.1). Since COP 7, the administrative costs have been financed from the core budget and voluntary contributions to the Trust Fund for Supplementary Activities. During the initial phase of the CDM, Parties agreed that activities should be funded from the core budget to ensure essential operations of the CDM and recognized that much of the work by the CDM Executive Board remained in the area of setting policy rules and regulations. The CDM received contributions from Parties and a proportionally small amount of fees (e.g. accreditation fees), which was an option for raising funds provided for in decision 17/CP.7, paragraph 17.

38. At CMP 1, Parties agreed to accrue income from the share of proceeds in order to fund operational costs of the CDM as of 2008. By accruing income, a reserve would be created that would enable the financing of the operational expenditures. Parties welcomed the CDM Executive Board's management plan, and provided the Board with budgetary authority, as clarified at CMP 2,<sup>7</sup> over its supplementary funds needs. By its decision 1/CMP.2, the CMP took note of the CDM Executive Board's report<sup>8</sup> to the CMP and its management plan<sup>9</sup> for 2007–2008, which refers to a one and a half year operating reserve, and to the possibility that if all CMP 1 pledges are paid, the target set for 2008 could be achieved earlier. The management plan indicates the overall resources required to support the CDM, which will be partially financed from the trust fund and adjusted as CDM relies less on core budget resources that are dedicated to policy and longer-term work relating to project-based mechanisms.

39. The JI started its operations after the adoption of the Marrakesh Accords at CMP 1. It has collected a modest amount of fees, but predominantly relies in its operations on voluntary contributions and core budget resources. With the preparatory period being work-intensive, this dependency is expected to continue for some time into the new biennium. Therefore, the JI management plan foresees funding 68 per cent of its requirements from voluntary contributions, 22 per cent from core resources, and the remaining portion, which is expected to grow as JI projects are increasing in volume, from fees. After 2009, it is expected that a capacity will be reached that is comparable to that of CDM. The aim is to retain only those expenses in the core budget that relate to support to the intergovernmental process.

40. As of 2008, the operational costs of the ITL are to be covered through a user fee levied on the registry systems of Parties included in Annex I to the Convention which connect to the ITL. Resources for the implementation of the ITL have been provided up to the current biennium primarily through voluntary contributions. In view of delays experienced in receiving necessary funding on this basis, Parties authorized the Executive Secretary at CMP 1 (decision 34/CMP.1) to collect user fees as additional income; this has alleviated the funding situation to some extent. At CMP 2, Parties were invited to submit views on the approach to the collection of fees, with a view to the ITL becoming self-sustaining as soon as possible (document FCCC/SBI/2007/MISC.1). The method for distributing the overall operational resources of the ITL among ITL users needs further consideration. Additional information regarding ITL funding arrangements is contained in an addendum to this document.

## VII. Trust Fund for Participation in the UNFCCC Process

41. The financial procedures stipulate that in addition to contributions to the core budget, the resources of the COP shall comprise, inter alia, “contributions to support the participation of the representatives of developing country Parties and of other Parties with economies in transition in the Conference of the Parties and its subsidiary bodies” (see decision 15/CP.1, annex I, para. 7 (c)).

---

<sup>7</sup> Decision 1/CMP.2, paragraph 8.

<sup>8</sup> FCCC/KP/CMP/2006/4.

<sup>9</sup> FCCC/KP/CMP/2006/4/Add.1.

Table 6 shows resource requirements for the Trust Fund for Participation in the UNFCCC Process for the biennium 2008–2009.

**Table 6. Resource requirements for the Trust Fund for Participation in the UNFCCC Process**  
(thousands of United States dollars)

<b>Object of expenditure</b>	<b>2008</b>	<b>2009</b>
Support for one delegate from each eligible Party to participate in two two-week sessions per year <sup>a</sup>	1 700.0	1 700.0
Support for a second delegate from each least developed country and each small island developing State to participate in two two-week sessions per year <sup>a, b</sup>	800.0	800.0
<b>Subtotal</b>	<b>2 500.0</b>	<b>2 500.0</b>
Programme support costs	325.0	325.0
<b>TOTAL</b>	<b>2 825.0</b>	<b>2 825.0</b>

<sup>a</sup> One two-week session of the subsidiary bodies and one two-week session of the COP, CMP and subsidiary bodies.

<sup>b</sup> Support to participation of least developed countries and small island developing States in accordance with decision 16/CP.9, paragraph 18.

## VIII. Bonn Fund

42. The secretariat receives an annual income of EUR 1,789,522 to the Trust Fund for the Special Annual Contribution from the Government of Germany (otherwise known as the Bonn Fund). The Bonn Fund was established to finance events held in Germany. Expenditures are determined every year through a bilateral arrangement between the Government of Germany and the secretariat.

43. The activities to be funded and associated costs are presented in table 7 for information purposes only.

**Table 7. Bonn Fund**

	<b>2008</b>	<b>2009</b>
	(EUR)	(EUR)
<b>Income</b>	<b>1 789 522</b>	<b>1 789 522</b>
<b>Expenditure</b>		
Conference support for staff and facilities	937 488	937,648
Conference information support for staff, computers and networking	341 030	340 000
Travel for participation in workshops in Bonn	305 130	306 000
Programme support costs	205 874	205 874
<b>TOTAL EXPENDITURE</b>	<b>1 789 522</b>	<b>1 789 522</b>

## IX. Overhead charge and its use

44. In accordance with the financial procedures (decision 15/CP.1), the budget is required to provide for a 13 per cent overhead charge to the United Nations to cover the costs of the administrative services which the United Nations provides to the Convention.

45. Through its Administrative Services programme, the secretariat has taken full responsibility for the preparation of its operational budget and related allotments, the procurement of goods and services, the arrangements for travel of staff and participants, and the recruitment and administration of staff and consultants. As indicated in an addendum to this document, the resource requirements for the administrative services of the secretariat are funded from the overheads payable on all UNFCCC trust funds. The main portion of the overhead funds is used for these purposes. The remainder covers the cost of sharing common services, the provision of audit, payroll, investment and treasury by the United

Nations Office at Geneva (UNOG). The staffing and resource requirements, which are shown in tables 8 and 9 respectively, are indicative. The Executive Secretary will approve expenditures based on the actual income.

**Table 8. Staffing requirements funded from the overhead charge**

	2007	2008	2009
<b>Professional category and above</b>			
D-1	1	1	1
P-5	1	1	1
P-4 – P-2	14	14	14
<b>Total Professional category and above</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>Total General Service category</b>	<b>25</b>	<b>28</b>	<b>28</b>
<b>TOTAL</b>	<b>41</b>	<b>44</b>	<b>44</b>

**Table 9. Proposed resource requirements funded from the overhead charges**  
(thousands of United States dollars)

Object of expenditure	2007	2008	2009
Secretariat staff costs	4 362.9	4 462.5	4 462.5
Secretariat non-staff costs	216.5	892.0	892.0
<b>Total secretariat costs</b>	<b>4 579.4</b>	<b>5 354.5</b>	<b>5 354.5</b>
Services rendered by the United Nations	360.0	360.0	360.0
<b>TOTAL</b>	<b>4 939.4</b>	<b>5 714.5</b>	<b>5 714.5</b>

## X. Contingencies

### A. Conference services

46. To date, the costs of conference services (mainly interpretation at meetings, translation, reproduction and distribution of documents, and related services) for up to two sessions of the Convention bodies have been met by UNOG or other United Nations offices, financed from the core budget of the United Nations adopted by the General Assembly. As in previous years, a contingency provision has been made in the proposed budget to cover the cost of such services in the event the General Assembly does not maintain its past practice.

47. The methodology used to calculate the costs of the conference services contingency is the same as that used in the 2006–2007 budget proposal. It is based on the assumption that the annual calendar of meetings of Convention bodies will include two sessional periods of two weeks each (one of which would be sessions of the COP and the CMP hosted by a government), and uses standard cost figures employed by UNOG for conference services. It is further envisaged that full conference services will be sought from the United Nations on a reimbursable basis so as to maintain the quality of translation and interpretation services. This means that no additional secretariat staff are requested. The contingency is also based on the assumption that sessions of the COP, the CMP and the subsidiary bodies would be accommodated within the conference services portfolio of services and costs prevailing in past years.

48. The contingency for conference services would amount to USD 6.6 million for interpretation, documentation and meetings services support requirements, making a total of USD 7.7 million including programme support costs and working capital reserve (see table 10). Given that UNOG standard cost figures for conference support services have not changed since 2005 and the relatively stable exchange



rate of the United States dollar against the Swiss franc, these amounts have not significantly changed since the 2006–2007 biennium.

49. The COP and the CMP rely on their Parties to extend hospitality to the sessions of the COP and the CMP and to any additional session of Convention and the Kyoto Protocol bodies that Parties may decide to hold. In the event that no Party offers to host the COP and the CMP or an additional session, rule 3 of the draft rules of procedure being applied foresees that the session would take place at the seat of the secretariat. To date, it has been customary among governments to offer hospitality to COP and additional subsidiary body sessions, taking on the portion of costs that exceeds those covered from secretariat funds, including the Bonn Fund, and those borne by the United Nations as outlined above. The secretariat suggests that contributions do not need to be collected for a contingency that, thanks to governments' good practice, is unlikely to arise.

**Table 10. Resource requirements for the conference services contingency**  
(thousands of United States dollars)

<b>Object of expenditure</b>	<b>2008</b>	<b>2009</b>	<b>Total 2008–2009</b>
Interpretation <sup>a</sup>	1 015.3	1 045.8	2 061.1
Documentation <sup>b</sup>			
Translation	1 500.2	1 545.2	3 045.4
Reproduction and distribution	464.4	478.4	942.8
Meetings services support <sup>c</sup>	245.6	253.0	498.6
<b>Subtotal</b>	<b>3 225.5</b>	<b>3 322.3</b>	<b>6 547.8</b>
Programme support costs	419.3	431.9	851.2
Working capital reserve	302.5	9.1	311.6
<b>TOTAL</b>	<b>3 947.4</b>	<b>3 763.3</b>	<b>7 710.6</b>

Note: Assumptions used for calculating the conference services contingency budget include the following:

- The expected number of meetings with interpretation does not exceed 40 per session;
- The expected documentation volume is based on average output in the period 1997–2006 and on projections for the additional reporting requirements arising in 2008–2009, assuming about 1,600 pages annually for translation and revision, and a total of about 5,100 pages annually for reproduction and distribution; the number of copies produced per page is assumed to be about 2,000 for general and about 100 for limited distribution;
- Meetings services support includes staff normally provided by United Nations Office at Geneva conference services for the in-session coordination and support of interpretation, translation and reproduction services;
- Overall, the figures used are conservative and have been applied on the assumption that there will be no major increase in requirements during the biennium.

<sup>a</sup> Includes salaries, travel and daily subsistence allowance for interpreters.

<sup>b</sup> Includes all costs relating to the processing of pre-, in- and post-session documentation; translation costs include revision and typing of documents.

<sup>c</sup> Includes salaries, travel and daily subsistence allowance for meetings services support staff and costs for shipment and telecommunications.

## **B. Other contingencies**

50. The move to the permanent accommodation for the offices of the United Nations agencies located in Bonn (the United Nations Campus) may entail additional expenditures in 2008 or 2009 to cover the costs of relocation, furniture, fixtures and fittings. It may also entail recurrent costs relating to the management of larger facilities. The secretariat will continue to negotiate with the host Government in determining the costs and how they should be met. Depending on the outcome, the Executive Secretary may propose a slight amendment to the expenditures in 2009.

Annex I**Methodologies used to calculate costs****A. Staff costs**

1. **Salary and common staff costs:** The standard costs (in United States dollars) applied in determining staff costs in the proposed budget are based on actual salary costs for the twelve months of 2006 and show that the only adjustment necessary is at the Assistant Secretary-General level which is always dependent on the incumbent of the post (table 1).

**Table 1. Standard salary costs**  
(United States dollars per year)

Level <sup>a</sup>	2004–2005	2006–2007	2008–2009
ASG	185 000	212 000	<b>240 000</b>
D-2	180 000	210 000	<b>210 000</b>
D-1	175 000	205 000	<b>205 000</b>
P-5	155 000	179 000	<b>179 000</b>
P-4	130 000	158 000	<b>158 000</b>
P-3	110 000	135 000	<b>135 000</b>
P-2	90 000	109 000	<b>109 000</b>
GS	60 000	80 000	<b>80 000</b>

<sup>a</sup>Assistant Secretary-General (ASG); Director (D); Professional (P); and General Service (GS).

2. **General Temporary Assistance** has been calculated at 1 per cent of the total salary cost. In addition, under Conference Affairs Services, USD 418,070 has been included to cover the hiring of temporary staff during sessions.

3. **Overtime** has been calculated at 20 per cent of one month's standard salary for each general service post per year.

**B. Non-staff costs**

4. **Consultancies** include institutional and individual contracts for services that require specialized expertise not available in the secretariat. Costs are estimated on the basis of actual requirements and past expenditures on similar activities.

5. **Experts and Expert groups** encompass costs of experts' travel, participation in meetings of constituted bodies and work on reviews. Costs are estimated on the basis of actual requirements and past expenditures.

6. **General operating expenses** represent costs of rental and maintenance of premises and equipment, communications, shipping and other contractual services required for meetings as well as the operations of the secretariat. Cost projections are based on historical data.

7. **Secretariat-wide operational costs** cover acquisition of furniture and equipment, printing, staff training and contributions to common services of the United Nations in Bonn. Projections are based on historical data and adjusted to actual needs.

**C. Programme support costs (overhead charge) and working capital reserve**

8. In accordance with the financial procedures (decision 15/CP.1), the Convention budget is required to provide for 13 per cent of the programme expenditures as overhead charges, and to maintain a working capital reserve of 8.3 per cent of the Convention budget (one month of operating requirements).



Annex II**Proposed programme budget for the 2008–2009 biennium by source of funding**

The table below indicates the total funding requirements by programme for the core budget, fee-based income for CDM, JI and ITL, and contributions for supplementary activities. It also reflects the projected income, by source, in the next biennium. The distribution of sources of funding for the 2008–2009 programme budget are as follows: supplementary, 17 per cent; fee-based, 35 per cent; and core budget, 48 per cent.

**Table. Programme budget for the 2008–2009 biennium by source of funding**

Programme	Core budget	Supplementary funding		TOTAL
		Fee-based income	Contributions requested <sup>a</sup>	
	(USD)	(USD)	(USD)	(USD)
Executive Direction and Management	4 323 386	-	-	4 323 386
Office of the Deputy Executive Secretary	1 522 014	-	-	1 522 014
Reporting, Data and Analysis	9 227 334	-	2 786 336	12 013 670
International Transaction Log	-	8 043 336	-	8 043 336
Financial and Technical Support	5 801 915	-	3 957 260	9 759 175
Adaptation, Technology and Science	5 772 102	-	3 911 668	9 683 770
Sustainable Development Mechanisms	688 466	-	-	688 466
Clean Development Mechanism	845 007	27 497 406	-	28 342 413
Joint Implementation	1 289 193	600 000	3 982 460	5 871 653
Legal Affairs	3 980 094	-	912 650	4 892 744
Conference Affairs Services	3 288 754	-	-	3 288 754
Information Services	8 648 985	-	2 069 960	10 718 945
Secretariat wide costs	3 429 100	-	-	3 429 100
<b>A - Regular programme expenditures</b>	<b>48 816 350</b>	<b>36 140 742</b>	<b>17 620 334</b>	<b>102 577 426</b>
B - Programme support costs	6 346 126	4 698 297	2 290 643	13 335 066
C - Working capital reserve	94 008	-	-	94 008
<b>TOTAL (A + B + C)</b>	<b>55 256 484</b>	<b>40 839 039</b>	<b>19 910 977</b>	<b>116 006 500</b>
<b>Income:</b>				
Contribution from the host Government	2 010 322	-	-	2 010 322
Indicative contributions	53 246 162	-	-	53 246 162
Voluntary contributions	-	-	19 910 977	19 910 977
Contributions to ITL	-	9 088 970	-	9 088 970
Registration and accreditation fees; share of proceeds	-	31 750 069	-	31 750 069
<b>TOTAL INCOME</b>	<b>55 256 484</b>	<b>40 839 039</b>	<b>19 910 977</b>	<b>116 006 500</b>

<sup>a</sup> Contributions requested are based on the first draft of activities to be funded from supplementary sources and are subject to minor adjustments.

-----